Progress Energy

October 29, 2008

Mr. Charles Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

RE: Pilgrim's Pride Corporation

Dear Mr. Terreni:

Attached is another article discussing Pilgrim's Pride's financial difficulties. This information further supports the urgency and need for a waiver of Commission Rule 103-331.

Very truly yours,

Len S. Anthony/mhm

Len S. Anthony
General Counsel-Progress Energy Carolinas

LSA:mhm

Attachment

268233

WALL STREET JOURNAL
28 OCT 2008

Pilgrim's Pride Lenders Grant Temporary Waiver

Chicken Company Wins a Second Reprieve

BY LAUREN ETTER AND DOUG CAMERON

Lenders gave a temporary reprieve to chicken company **Pilgrim's Pride** Corp. on Monday as it fights to avoid bankruptcy court amid tight credit and a weak economy.

The company said Monday that its lenders agreed to give it until Nov. 26 to come into compliance with a certain debt covenant. This is the second such waiver since late September, when Pilgrim's first warned it expected to report a "significant loss" for its fourth quarter ended Sept. 27, and could be in danger of defaulting on some debt.

Lonnie 'Bo' Pilgrim

The company based in Pittsburg, Texas, has been hammered by rising prices for feed, bad bets on the grain market, falling prices for chicken and an increasingly untenable debt load.

Now the near-frozen credit market has landed Pilgrim's Pride at the negotiating table with a troop of bankers trying to restructure the company and refinance its debt. It is also in talks with potential investors including hedge funds and private-equity groups.

If the company can't raise money or extract concessions from its lenders, it could be forced to seek bankruptcy-court protection.

Pilgrim's Pride has been squeezed by rising prices for feed and falling chicken prices.

Shares in the company fell 1.8%, or four cents, to $2.13 at 4 p.m. Monday in composite trading on the New York Stock Exchange. The stock is down 93% year-to-date.

The new waiver announced Monday requires the company to hire a "chief restructuring officer" within 10 business days of receiving a list of candidates from its lenders.

In an email, Pilgrim's spokesman Ray Atkinson said the restructuring officer will "help facilitate the company's execution" of its turnaround plan.

Pilgrim's also announced that it intends to exercise a 30-day grace period in making a $25.7 million bond interest payment due Nov. 3.

In a regulatory filing Monday, Pilgrim's also said it had instituted change-of-control agreements with its four top executives including deals requiring executives not to share certain information with competitors and severance payments.

Among the top four executives included in the severance agreements is Lonnie Ken Pilgrim, who along with his father, Lonnie "Bo" Pilgrim and mother, Patricia, control 62% of the company's voting power. The younger Mr. Pilgrim could make as much as $1.3 million if his job is terminated depending on contract specifics, according to Laurence Wagman, a consultant at James F. Reda & Associates LLC of New York, who reviewed company filings.

The other three nonfamily executives don't appear to have any significant equity holdings in the company, which makes the severance agreements more relevant as a way to "keep management in place in the event a change of control were to occur," Mr. Wagman said.

Like other companies in the poultry industry, Pilgrim's Pride has been squeezed between rising prices for feed—principally corn—and falling prices for chicken because of a glut in the market. The economic downturn also has exacerbated the situation, as consumers cut back on dining out.

Pilgrim's said its lenders have been "constructive and supportive throughout this challenging period" and that it harbors hope the chicken industry will turn around soon.

Industry data show that producers have drastically cut back on production, which could tighten supply and lead to higher chicken prices.

Moody's Investors Service

Global Credit Research
Rating Action
27 OCT 2008

Rating Action: Pilgrim's Pride Corporation

Moody's lowers Pilgrim's Pride's ratings (PDR to Caa2); outlook negative

New York, October 27, 2008 -- Moody's Investors Service today lowered Pilgrim's Pride Corporation's ratings, including the company's probability of default rating to Caa2 from B2, following Pilgrim's Pride's announcement that it will not pay $25.7 million of interest on its 7-5/8% Senior Notes and its 8-3/8% Senior Subordinated Notes when due on November 3, 2008 but will go into the thirty day grace period. The rating outlook is negative. This rating action concludes the review for possible downgrade that originally began on September 3, 2008. Moody's previous rating action, on September 25, 2008, was to lower Pilgrim's Pride's ratings and continue the review for possible downgrade.

Ratings lowered:

Corporate family rating to Caa1 from B2

Probability of default rating to Caa2 from B2

$400 million 7.625% senior notes due 2015 to Caa3 (LGD4, 67%) from Caa1 (LGD5, 84%)

$250 million senior subordinated notes due in 2017 and $5.1 million (original $100 million) senior subordinated notes due 2013 to Caa3 (LGD5,83%) from Caa1

(LGD6, 94%)

Pilgrim's Pride has received a one-month extension of a temporary covenant waiver from October 28, 2008 to November 26, 2008. The company's extended bank waivers require that it engage a chief restructuring officer. Unless otherwise approved by the lenders, Pilgrim's Pride will maintain $35 million aggregate undrawn availability under the $550 million CoBank revolving credit agreement and the $300 million Bank of Montreal revolving credit facility; for the Bank of Montreal RC, the amount of aggregate undrawn availability is $75 million.

The ratings downgrade is based on the absence of a permanent amendment of the bank agreement and Moody's concern that Pilgrim's Pride's liquidity will be constrained in the near term until its bank agreements are permanently amended and its bond interest payments made.

The higher LGD ratings reflect Moody's expectation that recovery would be slightly better than average in a default scenario given the nature of the company's assets and the amount of potential excess collateral.

The negative rating outlook incorporates the pressing near term need to bolster operating liquidity and make the interest payment on the two bonds before the expiration of the grace period. Moody's notes the annualized benefit of current feed grain costs, relative to conditions in late July, is approximately $1.1 billion.

Headquartered in Pittsburg, Texas, Pilgrim's Pride Corporation is the world's largest chicken company. Sales for the twelve months ended June 28, 2008 were approximately $8.6 billion.

New York
John Diaz
Managing Director
Corporate Finance Group
Moody's Investors Service
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Ratings

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Pilgrim's Pride Rating Lowered To 'CC'; CreditWatch Implications Now Negative

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• Current Ratings

NEW YORK (Standard & Poor's) Oct. 27, 2008--Standard & Poor's Ratings Services today said that it lowered its ratings on Pittsburg, Texas-based Pilgrim's Pride Corp., including its corporate credit rating to 'CC' from 'CCC+'. In addition, we revised the CreditWatch implications to negative from developing. We originally placed the ratings on CreditWatch with negative implications on June 19, 2008, due to our concerns that in the near term, the company would face even higher commodity costs because of the damage from heavy rains and flooding in the Midwest to crops, especially the corn crop. On Sept. 25, 2008, we downgraded the ratings on Pilgrim's Pride and revised the CreditWatch implications to developing. These rating actions followed the company's announcement that it would not likely be in compliance with the fixed-charge ratio covenant as of its fiscal-year-end Sept. 27, 2008, due to a significant loss in the fourth fiscal quarter.

As of June 30, 2008, the company had about $1.98 billion of debt (adjusted for capitalized operating leases and accounts receivable securitization program).

"The downgrade follows the company's announcement that it intends to exercise its 30-day grace period in making the $25.7 million interest payment due Nov. 3, 2008, on its 7.625% senior unsecured notes due May 1, 2015, and 8.375% senior subordinated notes due 2017," stated Standard & Poor's credit analyst Jayne M. Ross. If the company does not make the interest payments on Nov 3, 2008, we will lower the ratings on those issues to 'D'.

"If Pilgrim's Pride can make the interest payments during the 30-day grace period, we would review the ratings on those issues for an upgrade," she continued.

Standard & Poor's will continue to monitor developments and take appropriate rating actions as the situation necessitates.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.